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OVERVIEW

We are a well-developed sourcing management group with production capabilities which operates a one-stop shop business model. We provide our customers a comprehensive range of services covering the entire supply chain of garment products. We source garment products for our customers and we also provide them with a comprehensive range of sourcing management services and expertise, including product design and product development, sampling, product offering, sourcing, in-house production, outsourcing, logistics and delivery and overseas sales capabilities.

Business trend

The Group recorded a turnover of approximately HK\$1,430.9 million, HK\$1,284.3 million and HK\$894.4 million for the three years ended 31 March 2008, 2009 and 2010, respectively. Based on the unaudited management accounts of the Group for the four months ended 31 July 2010, the Group recorded a turnover of approximately HK\$328.1 million which is comparable to the corresponding period of last year. Our financial results for the six months ending 30 September 2010 and the year ending 31 March 2011 will be affected by certain non-recurring expenses, including the expenses in relation to the Global Offering and the costs of the options granted under the Share Option Scheme. For further details, please refer to the paragraph headed “Our revenue for the four months ended 31 July 2010 and the possible impact of certain non-recurring expenses to financial performance” of the sections headed “Summary” and “Financial information” in this prospectus, and the paragraph headed “Our financial results are expected to be affected by the expenses in relation to the Global Offering and the costs of options granted under the Share Option Scheme” of the section headed “Risk factors” in this prospectus.

With regard to (i) the unaudited management accounts of the Group for the four months ended 31 July 2010; (ii) the signs of recovery of the global economy; and (iii) our orders on hand, which are comparable to the corresponding period of last year, our Directors are optimistic that our Group will be operating in a fairly stable environment for the year ending 31 March 2011.

Products

Based on the manufacturing process, garment products can be broadly classified into three categories, namely Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products. We source all these three categories of garment products for our customers. Currently, we only manufacture Cut-and-Sew knitwear and Knit-to-Shape sweater. With our in-house production plants in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers, we are able to provide to our customers a comprehensive range of garment products which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears.

Customers

We source a comprehensive range of garment products for our direct customers mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC. Our direct customers are mostly overseas brand owners/carriers, megastores, department stores and supermarket chains. We also source garment products for our importer customers.

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The following table sets forth the breakdown of our revenue by customer category:

	For the year ended 31 March					
	2008		2009		2010	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Brand owners/carriers	461,343	32.2%	468,252	36.5%	461,001	51.5%
Megastores	61,781	4.3%	81,239	6.3%	93,863	10.5%
Department stores	103,899	7.3%	84,247	6.6%	66,101	7.4%
Supermarket chains	19,818	1.4%	54,656	4.2%	18,468	2.1%
Importers	743,254	51.9%	570,023	44.4%	221,671	24.8%
Others	40,795	2.9%	25,851	2.0%	33,247	3.7%
Total	<u>1,430,890</u>	<u>100.0%</u>	<u>1,284,268</u>	<u>100.0%</u>	<u>894,351</u>	<u>100.0%</u>

Our sales to our largest customer, a U.S. importer, amounted to approximately HK\$530.4 million, HK\$478.2 million and HK\$137.2 million, respectively, representing approximately 37.1%, 37.2% and 15.3%, respectively of our total revenue for the three years ended 31 March 2008, 2009 and 2010, respectively.

Our sales to importers decreased by approximately HK\$173.2 million from approximately HK\$743.2 million for the year ended 31 March 2008 to approximately HK\$570.0 million for the year ended 31 March 2009, primarily due to (i) the decrease in our sales to our largest customer, a U.S. importer, due to decrease in its sales to its major customer (a megastore), which accounted for approximately 30.1% of the decrease; and (ii) decrease of our sales to certain U.S. importers mainly as a result of our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which accounted for approximately 25.5% of the decrease. For the year ended 31 March 2010, our sales to importers decreased from approximately HK\$570.0 million for the year ended 31 March 2009 to approximately HK\$221.7 million. Such decrease is primarily attributable to the decrease in our sales to our largest customer, which in turn was caused by a decrease in orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it, which had accounted for approximately 97.9% of the decrease. The organisational changes refer to the re-location of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational changes of the megastore customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to our customer, the U.S. importer, will further drop materially due to this factor. Our Directors confirmed that since 31 March 2010 and up to the Latest Practicable Date, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our inventories and trade receivables. Further, based on the unaudited management account of the Group for the four months ended 31 July 2010, the Group recorded a turnover of approximately HK\$328.1 million which is comparable to the corresponding period of last year. The above unaudited revenue figure may not be indicative of the full year result for 2011. Our business and financial performance may be affected by a number of factors as set out in the section headed "Risk factors" in this prospectus.

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We have offices in the U.S., the PRC, Hong Kong and Macau, and a representative in Canada to provide sales supporting and/or customer services to enhance the quality and efficiency of our sourcing management services to our customers.

The following table sets forth the breakdown of our revenue by location of our customers:

	For the year ended 31 March					
	2008		2009		2010	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
U.S.	1,006,864	70.4%	814,752	63.4%	513,484	57.4%
Canada	150,220	10.5%	153,469	12.0%	148,815	16.6%
PRC	116,778	8.1%	92,512	7.2%	95,356	10.7%
Others	157,028	11.0%	223,535	17.4%	136,696	15.3%
Total	<u>1,430,890</u>	<u>100.0%</u>	<u>1,284,268</u>	<u>100.0%</u>	<u>894,351</u>	<u>100.0%</u>

U.S. is our most important market, which accounted for approximately 70.4%, 63.4% and 57.4% of our revenue for the three years ended 31 March 2010, respectively.

Our revenue decreased by approximately 10.2% (i.e. approximately HK\$146.6 million) to approximately HK\$1,284.3 million for the year ended 31 March 2009 from approximately HK\$1,430.9 million for the year ended 31 March 2008. The decrease was primarily attributable to our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which had been handling primarily our orders for our customers in the U.S. market (including one of our top five customers during the Track Record Period). Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. This resulted in a decrease in sales to one of our top five customers during the Track Record Period of approximately HK\$83.8 million from approximately HK\$157.5 million for the year ended 31 March 2008 to approximately HK\$73.7 million for the year ended 31 March 2009. Further, there was a decrease in sales to our largest customer, a U.S. importer, from approximately HK\$530.4 million for the year ended 31 March 2008 to approximately HK\$478.2 million for the year ended 31 March 2009, due to the decrease in its sales to its major customer (a megastore). In addition, our Directors believe that consumer spending shrank and orders placed by certain customers of the Group in the U.S. market had also decreased in the year ended 31 March 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the U.S. into a recession by mid-2008.

Our revenue decreased by approximately 30.4% (i.e. approximately HK\$389.9 million) to approximately HK\$894.4 million for the year ended 31 March 2010 from approximately HK\$1,284.3 million for the year ended 31 March 2009. The decrease was primarily attributable to the decrease in our sales of approximately HK\$341.0 million to our largest customer, a U.S. importer, from approximately HK\$478.2 million for the year ended 31 March 2009 to approximately HK\$137.2 million for the year ended 31 March 2010. Such decrease is primarily attributable to the decrease in its orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it and not related to the quality of our products. The organisational changes refer to the re-location

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of offices of such megastore customer's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational changes of the megastore customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to our customer, the U.S. importer, will further drop materially due to this factor.

Our Directors confirmed that since 31 March 2010 and up to the Latest Practicable Date, there have been no notification and indication of non-payment of our trade receivables or the need to make provisions for our inventories and trade receivables. Further, based on the unaudited management accounts of the Group for the four months ended 31 July 2010, the Group recorded a turnover of approximately HK\$328.1 million which is comparable to the corresponding period of last year. The above unaudited revenue figure may not be indicative of the full year results for 2011. Our business and financial performance may be affected by a number of factors as set out in the section headed "Risk factors" in this prospectus. Our Directors believe that the measures that we can adopt in order to manage the risks of our major customers reducing their purchases include increasing our product offerings and diversifying our client base.

We have in-house production facilities in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers to cater for customised orders from our customers. As a result, we are able to provide a wide range of garment products to our customers. Currently, we only manufacture Cut-and-Sew knitwear and Knit-to-Shape sweater.

Our decision on whether to outsource production and the choice of sub-contract manufacturer(s) depend on various criteria, including: (i) costs and pricing; (ii) the quality standard required; (iii) the capability and capacity of the sub-contract manufacturer(s); (iv) whether there is any tax benefit for our customers in selecting a particular sub-contract manufacturer, as the duty rate imposed by the government of the country of our customers may vary according to the origin of the garment products, and some of our sub-contract manufacturers are located in places which may enjoy lower duty rates; (v) the need for diversification in producing countries; and (vi) the financial status of the sub-contract manufacturer(s). Some of our customers, based on their requirements on products and production process, may designate specific fabric and/or accessories suppliers, or require the whole production process to be carried out at our in-house production facilities. During the Track Record Period and up to the Latest Practicable Date, none of our customers demanded for the entire production process for its products to be outsourced to sub-contract manufacturers designated by them. For the three years ended 31 March 2010, the costs of outsourced products and processing fees paid to our sub-contract manufacturers were approximately HK\$903.9 million, HK\$850.6 million and HK\$515.8 million, respectively, representing approximately 73.3%, 75.8% and 70.1%, respectively, of our total cost of sales during the same three-year period.

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The following table sets forth the concentration of our sub-contract manufacturers by location:

	For the year ended 31 March					
	2008		2009		2010	
	Transaction volume (HK\$ million)		Transaction volume (HK\$ million)		Transaction volume (HK\$ million)	%
PRC	310	34.3	322	37.9	364	70.7
Cambodia	44	4.9	67	7.9	46	8.9
Madagascar	126	14.0	166	19.5	23	4.5
Vietnam	33	3.7	77	9.1	13	2.5
Hong Kong	86	9.5	12	1.4	9	1.7
Macau	188	20.8	101	11.9	1	0.2
Bangladesh	4	0.4	13	1.5	3	0.6
Others	112	12.4	92	10.8	56	10.9
Total	903	100.0	850	100.0	515	100.0

We also source raw materials from the VC Group to ensure our involvement starts from the beginning of a garment supply chain which in turn enables us to provide a comprehensive range of sourcing management services to our customers. Further details of our purchases from the VC Group are set out in the sections headed “Continuing connected transactions” and “Relationship with the VC Group” in this prospectus.

Our PRC Factory, being our largest production plant in terms of production volume during the Track Record Period, is equipped with advanced and computerised machinery. It has adopted the “Just-in-time” production system and produces garment products with fashionable and complicated styles, patterns and designs. Our Indonesian Factory operates under the traditional garment manufacturing system producing apparels of simple and classic style.

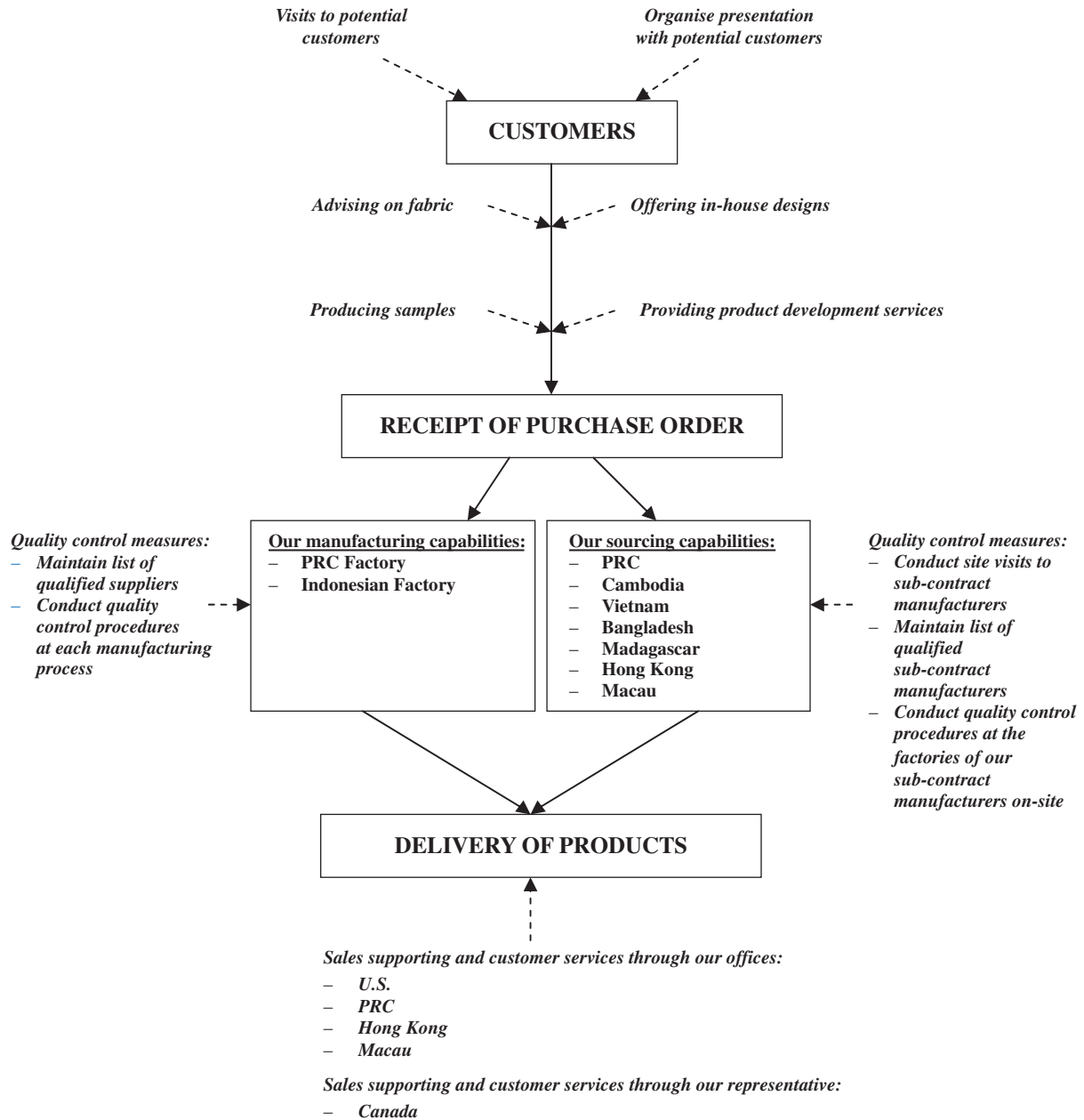
We have our in-house design and development team to keep track of the latest trends, any new fabric concepts and/or production skills. Within our design and development team, we have our own sample workshop currently consisting of approximately 81 staff to produce samples and our own designs within a short lead time. We also provide value-added services to our customers, such as the development of samples and designs, production of garment products which involve a more complicated production process and require a higher level of workmanship, and delivery of garment products within a short time frame.

We adhere to consistently high quality standards. Our quality control procedures start from the raw material procurement stage. Various inspections are carried out at each stage of our manufacturing process. Quality reports are also prepared throughout our production process. In respect of our sub-contract manufacturers, we have a quality assurance and control team with 10 employees who oversee the performance of our sub-contract manufacturers by conducting on-site quality inspections and testing procedures at the factories of our sub-contract manufacturers at different stages in the manufacturing process.

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BUSINESS MODEL

The diagram below illustrates our one-stop shop business model:



COMPETITIVE STRENGTHS

We believe that our success to date and potential for future long-term growth can be attributed to our following strengths:

One-stop shop business model

Our one-stop shop business model integrates the entire supply chain functions of garment products, including in-house production, product offering, sourcing, outsourcing, product design, product development, sampling, logistics and delivery and overseas sales capabilities, thus enabling us to provide a comprehensive range of sourcing management services to our customers.

Unlike some of our competitors who outsource the entire manufacturing process to independent sub-contractors, we have our in-house production facilities in the PRC and Indonesia as well as outsourcing production capabilities supported by our wide and established network of sub-contract manufacturers. With our in-house production facilities, we can produce within a short lead time and are flexible in adjusting production time and volume. We can also adjust our offerings promptly which enable us to be responsive to customers' specific needs and market demands. On the other hand, our outsourcing capabilities enable us to achieve greater flexibility in allocating our resources with minimal capital commitment. We can also leverage on the expertise, knowledge and equipment of our sub-contract manufacturers. Our production capability is not limited to our own manufacturing facilities.

We believe that our one-stop shop business model gives us a sustainable competitive edge by providing significant operational flexibility to our Group to meet changing market conditions and demands, and enhances our capabilities to cater for the needs of customers. We also believe that our Group's efficient production and sourcing management capabilities enable our Group to provide timely services to our customers in a cost efficient manner.

Strong design and development ability

Our strength in design and development enable us to broaden our product offering to include new and up-to-date products. We organise sampling sourcing trips around the world periodically to obtain first hand garment product samples so as to keep abreast with global fashion trends and plan for future designs. We visit various department stores and boutiques in different countries and places to identify latest trends in style and fabric materials in those places, enabling us to analyse consumer preference. Within our design and development team, we have our own sample workshop currently consisting of approximately 81 staff to produce samples and in-house designs. Our workshop has the capacity to produce approximately 1,000 samples every week and the wide range of available samples can provide more product choices for our customers to suit their requirements. With our in-house sample workshop, we are able to develop samples for our customers with approximately 24 hours from the receipt of sketches from them, which enhances our lead time to develop samples for our customers and enables us to provide timely services to them. Further, with the support of the VC Group, we can source our raw materials efficiently for our sample making process. Our fabric sourcing capabilities also enable us to effectively develop garment products for our customers at an early stage. Our involvement in the product development stage of the manufacturing process of our customers' orders solidifies our relationship with our customers and ensures that quality of our products meets our customers' demands.

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Our merchandising team, which comprises 118 members, has extensive production and technological knowledge of garment. With our strong design and development capabilities, we, from time to time, make recommendations on the use of fabrics or offer in-house designed samples to our customers.

High quality product with a variety of product mix

We have established stringent quality control procedures for the procurement and inspection of our raw materials, each of our production processes as well as our sub-contract manufacturers. We conduct inspection and testing on our raw materials and at each of our production processes; and we may also engage third-party inspectors to conduct quality control inspections on our products.

We also have a quality assurance and control team who oversees the performance of our sub-contract manufacturers. The team consists of 10 members and they travel to the factories of our sub-contract manufacturers to perform on-site quality control inspections and testing procedures at different stages in their manufacturing process to ensure quality of our products.

We also work closely with our customers to improve and ensure our product quality. During the Track Record Period, the aggregate value of the product claim had been insignificant in comparison with our Company's revenue.

In our PRC Factory, we have adopted the "Just-in-time" production system ("**JIT System**"), which is an efficient and labour saving manufacturing system to ensure that materials and goods arrive only as they are required at a particular manufacturing point in a production line. Under the JIT System, our workers are divided into work stations along the production line, and each work station is categorised by a particular production stage required for a garment product. Each worker at a work station is only responsible for a particular step required for that production stage. When the production stage of a semi-finished product is completed, the relevant item is passed to the next work station in the production line for completion of another production stage. As semi-finished products are passed onto the next production stage in small quantities instead of in bulk after completion of a particular production process, the manufacturing lag time at each production process can also be reduced. Quality control procedures can be conducted on the semi-finished products throughout these processes and errors can be easily and more efficiently detected.

We have trained our workers to be familiarised with a number of steps required for each production stage so that we can further increase the operational efficiency of the JIT System by allocating the workers to work in different production stages of the production line to suit production needs. Salaries of the workers are determined based on the number of pieces of finished garment products produced by the team, thus the workers have a higher incentive to complete a finished product efficiently.

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With the manufacturing advantage attributable to our own production capabilities, an efficient production system, and our established network of sub-contract manufacturers, we offer a comprehensive range of garment products to our customers, including Cut-and-Sew knitwear, Knit-to-Shape sweaters and woven products, which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears.

With our production and sourcing capabilities and stringent quality control procedures, we are able to provide a diversified and high-quality product mix to our customers and cater for their changing demands or requirements. We have maintained close and long-term relationships with our customers. All of our top five customers for the three years ended 31 March 2010 have sourced products from us for more than four years and some of them have more than ten years' business relationship with us.

Experienced management team

Our core management team is led by our Chairman and chief executive officer, Mr. Choi, who has been engaging in the trading of garment products since 1998. Such experience has enhanced his knowledge and understanding of garment production and sourcing industry and set up a foundation for the subsequent development of our Group. Our management team (including Mr. Ng Tze On and Mr. Lau Kwok Wa, Stanley, our executive Directors) possesses extensive operating experience and industry knowledge. Our senior management staff (including Mr. Ng Tsze Lun) has been with our Group or in garment industry for an average of 13 years. We believe that our management team's in-depth knowledge of the garment industry can enable us to respond efficiently to various challenges from the changing market conditions.

Solid customer base and ability to develop new clients and offer dedicated customer services

We have a solid customer base comprising mostly overseas brand owners/carriers, megastores, department stores and supermarket chains. We also source garment products for customers which are importers.

We have maintained close and long-term relationships with our customers as we provide quality products and services. We have both the production capabilities and sourcing capabilities to cater for our customers' demands. All of our top five customers for the three years ended 31 March 2010 have sourced our products for more than four years and some of them have more than ten years' business relationship with us.

Other than a solid customer base with long-term relationship with us, we are also able to source and develop new clients effectively with our one-stop shop business model and capabilities. During the Track Record Period, our revenue was mainly generated from the U.S., Canada, the U.K., Mexico, Japan and the PRC and more than half of our total revenue for each year during the Track Record Period was generated from our customers in the U.S.. We have offices in the U.S., the PRC, Hong Kong and Macau, and a representative in Canada to provide sales supporting and/or customer services to enhance the quality and efficiency of our sourcing management services to our customers.

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In addition, we provide importing services arrangement for our customers in the U.S. and Canada. Under such arrangement, products required by our customers are delivered “door-to-door” from our facilities to our customers’ desired location at an aggregate cost of production, transportation, appropriate customs duties and taxes without incurring extra time and costs for our customers.

We believe that our overseas office network and dedicated customer services differentiate us from our competitors and enhance our reputation and relationship with our customers.

BUSINESS STRATEGIES

Our principal business strategies are:

Enhance manufacturing capabilities

In order to provide more efficient and timely services to our customers thereby further enhancing our competitiveness and profitability, we target to further enhance our manufacturing capabilities, to increase our production capacity, to include other processes such as printing and embroidery to further achieve vertical integration, and to upgrade our production equipment and acquire environmental-friendly and energy-saving machineries to further enhance efficiency and costs saving. We may also acquire existing garment factories or enter into joint ventures or other forms of cooperation with other business partners if suitable targets could be identified.

In particular, we aim at expanding our manufacturing facilities to cater for the anticipated demands from our major customers with reputable brands.

Existing production equipment will be upgraded to increase efficiency. We will also seek to identify other new production equipment designed to enhance our production efficiency and capacity, shorten turnaround time and reduce labour costs and energy consumption. We also plan to develop in-house production as to printing and embroidery.

The expected increase in production capacity is not intended to be a substitute for the use of sub-contract manufacturers. Instead, we expect to have growth in both sales generated from in-house production facilities as well as from sub-contract manufacturers. The anticipated increase in production capacity is expected to be used to satisfy the demand from customers with more complicated/stringent production requirements or with tighter delivery schedule who frequently request for our own in-house production. Such form of production would yield a higher gross profit margin.

We believe that the planned expansions, upgrades and vertical integration, as well as the strategic merger, acquisitions and business cooperation, will lay the foundation for improving both our productivity and profitability in the future.

Strengthen and expand customer base

We plan to enhance our promotional and marketing activities to further build our reputation and to enhance business with our existing customers and explore new business opportunities. We will explore more potential customers in the PRC and overseas.

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We currently intend to engage additional staff for our design and development team, expand our sample workshop and expand our sales office in the U.S. so that more new products can be sourced globally, more sample garment products could be developed by us for our customers to meet their requirements and better services and products can be offered to our existing customers and attract more potential customers. We will work closely with our existing customers to provide better and more customised services to them and further solidify our relationships with them.

Retail market expansion

Monstons

With the PRC's economic growth, the country's apparel retail market is fast expanding. We target to diversify our business model by entering into the retail market in China. We aim to sell our “夢仕臣” (Monstons) brand underwear and homewear products in large chain supermarkets in the PRC, targeting the mass market. We supply our “夢仕臣” (Monstons) brand products to these large chain supermarkets on a consignment basis, as they offer us a low-risk and effective means of testing the market demand for our products. The products under our “夢仕臣” (Monstons) brand will either be sourced from external manufacturers or manufactured at our existing production facilities, depending on the complexity of the production process for the products and our production capacity. We manufacture basic style products, e.g. leggings, at our production facilities while more complicated style products, e.g. warm clothes, are sourced. As we can (i) utilise our existing production capacities to manufacture our “夢仕臣” (Monstons) brand products; or (ii) source the products from other sub-contract manufacturers; and (iii) sell our “夢仕臣” (Monstons) brand products on consignment basis to large chain supermarkets without the need to invest in the establishment of retail channels, we are of the view that only minimal initial capital injection is required for the launch of such products. Our Directors consider that the entry barrier for the underwear and homewear market in the PRC is relatively low as such market is generally fragmented and not monopolised by certain suppliers. Further, as seasonality is not a major influencing factor in such market, obsolete stock is not common. We believe that the sale and development of our “夢仕臣” (Monstons) brand products in the PRC can enhance customer awareness of our Group among our target garment sourcing customers. We believe that enhanced customer awareness of our Group and our business track records with existing renowned PRC brands will assist us to further expand our garment sourcing customer base in the PRC. The launch of the “夢仕臣” (Monstons) brand products is not a shift in our business focus, but a means of diversifying our business model by entering into the retail market in China. No revenue was recorded for the sales of our “夢仕臣” (Monstons) brand underwear and homewear products during the Track Record Period.

To the best knowledge of our Directors, none of our customers engaged in the sale of branded underwear and home wear products in the PRC as at the Latest Practicable Date.

We plan to expand the retail network for our “夢仕臣” (Monstons) brand to 200 and 300 points of sales in the PRC by 2010 and 2011 respectively through cooperation with large chain supermarkets. We have received orders from these large chain supermarkets for “夢仕臣” (Monstons) brand products on a consignment sales basis since July 2010, retail sales of which commenced in August 2010 at approximately 200 sales points in large chain supermarkets in the PRC. We believe that we can benefit from our consignment sales cooperation with large

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chain supermarkets and their existing nationwide network to increase market penetration without managing the retail system ourselves, differentiating us from other retail competitors in the underwear and homewear market. The relatively long credit period normally granted to the large chain supermarkets by suppliers also make consignment sales a less attractive alternative to some of our competitors with weaker financial resources. We do not rely on one single large chain supermarket as there are many potential cooperation partners available in the market. Our Directors expect the profit margins of our “夢仕臣” (Monstons) brand products to be higher than that of our garment sourcing business and we expect to finance our plans for expansion of our “夢仕臣” (Monstons) brand through a portion of the proceeds of the Global Offering, cash flow generated from sales of such products and through our Group’s internal resources.

teelocker

We entered into a memorandum of understanding and a business transfer agreement (“**Business Transfer Agreement**”) with Yoko Sun, Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung (collectively, the “**Transferors**”) on 29 July 2010 and 8 September 2010, respectively, in relation to the acquisition of an effective 70% interests in certain of Yoko Sun’s assets (“**Business Assets**”) including, amongst others, its intellectual property rights (including trademarks and domain names), contracts with its designers and business partners, inventory and stock-in-trade and goodwill. It is intended that upon completion of the acquisition, the Business Assets will be operated by Sky Winner Investment Limited (“**Sky Winner**”), which will then be a subsidiary in which we will have a 70% effective interest whilst the remaining 30% interests will be held by each of Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung, the existing shareholders and directors of Yoko Sun, in equal proportions. The results of Sky Winner will be consolidated by the Group from the effective date when it becomes an indirectly owned subsidiary of FG Holdings. The majority of the board of directors of such company is expected to be controlled by us.

Yoko Sun is a company incorporated in Hong Kong on 20 July 2007, which was owned by Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung, all being Independent Third Parties, as to 33.34%, 33.33% and 33.33% respectively as at the Latest Practicable Date. Mr. Lo Chi Hang Jack, Mr. Lai Fuk Sang and Mr. Lan Chi Fung were also the directors of Yoko Sun as at the Latest Practicable Date. Yoko Sun operates its business under the name “teelocker” and is principally engaged in the production and sales of apparel products, with an online platform for recruitment of designers and sales of apparel products. It also sells its products, on both consignment and direct sales basis, to department stores, retail shops and various points of sales at various locations in Hong Kong, Taiwan and the PRC (the “**teelocker Business**”).

Yoko Sun requires investment capital to grow its business operations and we are of the view that Yoko Sun’s business has market potential. Hence, we decided to acquire part of its business and inject capital to enhance the growth of its business. Our Directors believe that the proposed acquisition of the business assets of Yoko Sun will diversify our business model and enable us to enter into the retail market in Hong Kong, Taiwan and the PRC.

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Pursuant to the Business Transfer Agreement, the consideration for the acquisition of 70% interests in the Business Assets was HK\$1,200,000, which would be settled in cash. It has been agreed that 60% of the consideration shall be paid on the date of completion of the Business Transfer Agreement (which is currently expected to take place by the end of 2010) and 40% of the consideration shall be paid on or before the fifth business day after the first anniversary of the date of completion of the Business Transfer Agreement. We intend to utilise our internal resources to settle the consideration.

Pursuant to the Business Transfer Agreement, among others, each of the Transferors had agreed to give certain non-compete undertakings to us, which provides amongst other things that, during a period of one year after completion of the Business Transfer Agreement, it/he will not, without our prior written consent (i) solicit or interfere with customers or employees of Yoko Sun in relation to the teelocker Business; (ii) carry on or be engaged in any business or activities which will compete with the teelocker Business; or (iii) use the name of “teelocker” or any other trademarks or logos similar to “teelocker” or represent itself/himself as carrying on or being connected with the teelocker Business.

Cooperate with brand owners or importers to form joint ventures

We plan to cooperate with a brand of casual wear targeting at the youngsters’ market in the PRC so as to diversify our business into the retail market of the PRC. As at the Latest Practicable Date, our Company has considered certain cooperation opportunities but has not concluded with any joint venture partners in relation to its plans for expansion into the PRC retail market. Further, we may form joint venture companies with importers in the U.S. to enhance the market share of our Group and those importers. Our Directors consider that by entering into the retail market and cooperating with importers, we can better understand our customers’ demands and requirements and our integrated business model and customer base can be further enhanced.

PRINCIPAL PRODUCTS

We offer a comprehensive range of products to our customers including Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products, which include ladies’, men’s and kids’ knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears. The gross margins vary for products within each of the categories of Cut-and-Sew, Knit-to-Shape and woven products, as the gross margin of a garment product is not dependent on the product category that it falls under but the complexity of the production process involved and the level of workmanship required. We also sell other miscellaneous items to our customers such as hats, scarves and handbags and these items are mainly sold to megastores and supermarket chains in China.

Other than the garment products we sourced for our customers, we have developed and are in the process of launching our “夢仕臣” (Monstons) brand of underwear and homewear products in large chain supermarkets in the PRC, targeting at mass market. The products under our “夢仕臣” (Monstons) brand will either be sourced from external manufacturers or manufactured at our own production facilities. We plan to launch our branded product as part of our strategy to diversify our business model into the retail market in the PRC as well as to enhance PRC customer awareness of our Group.

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AWARDS AND ACCREDITATIONS

The following table sets out the major awards and accreditations obtained by us:

Year of grant	Award	Awarding body
2007	Outstanding Supplier Award (供應商進步獎)	Semir Group (森馬集團有限公司)
2007	Partners in Progress – Celebrating a shared vision of outstanding service, innovation and superior quality products	Sears
2009	08 Olympics Supportive Award (08年度奧運支持獎)	Li Ning (China) Sports Goods Co., Ltd. 李寧(中國)體育用品有限公司
2009	Top Vendor Award	Forever 21
2010	Outstanding Member of Xinhui District Industry and Commercial Federation in 2009 (2009年度新會區工商聯系統優秀會員)	Xinhui District Industry and Commercial Federation (新會區工商業聯合會 江門市新會總商會)

PRODUCTION

Based on manufacturing process, garment products can be broadly classified into three categories, namely Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products. Currently, we only manufacture Cut-and-Sew knitwear and Knit-to-Shape sweater.

For the financial year ended 31 March 2010, approximately 29.9% of our total costs of sales attributable to the manufacture of garment products was incurred by our in-house production team, while the remaining approximately 70.1% of our total costs of sales attributable to the manufacture of garment products was incurred by our sub-contract manufacturers. Our decision on whether to outsource production and the choice of sub-contract manufacturer(s) depend on various criteria, including: (i) costs and pricing; (ii) the quality standard required; (iii) the capability and capacity of the sub-contract manufacturer(s); (iv) whether there is any tax benefit for our customers in selecting a particular sub-contract manufacturer, as the duty rate imposed by the government of the country of our customers may vary according to the origin of the garment products, and some of our sub-contract manufacturers are located in places which may enjoy lower duty rates; (v) the need for diversification in producing countries; and (vi) the financial status of the sub-contract manufacturer(s). Some of our customers, based on their requirements on products and production process, may designate specific fabric and/or accessories suppliers, or require the whole production process to be carried out at our in-house production facilities. During the Track Record Period and up to the Latest Practicable Date, none of our customers demanded for the entire production process for its products to be outsourced to

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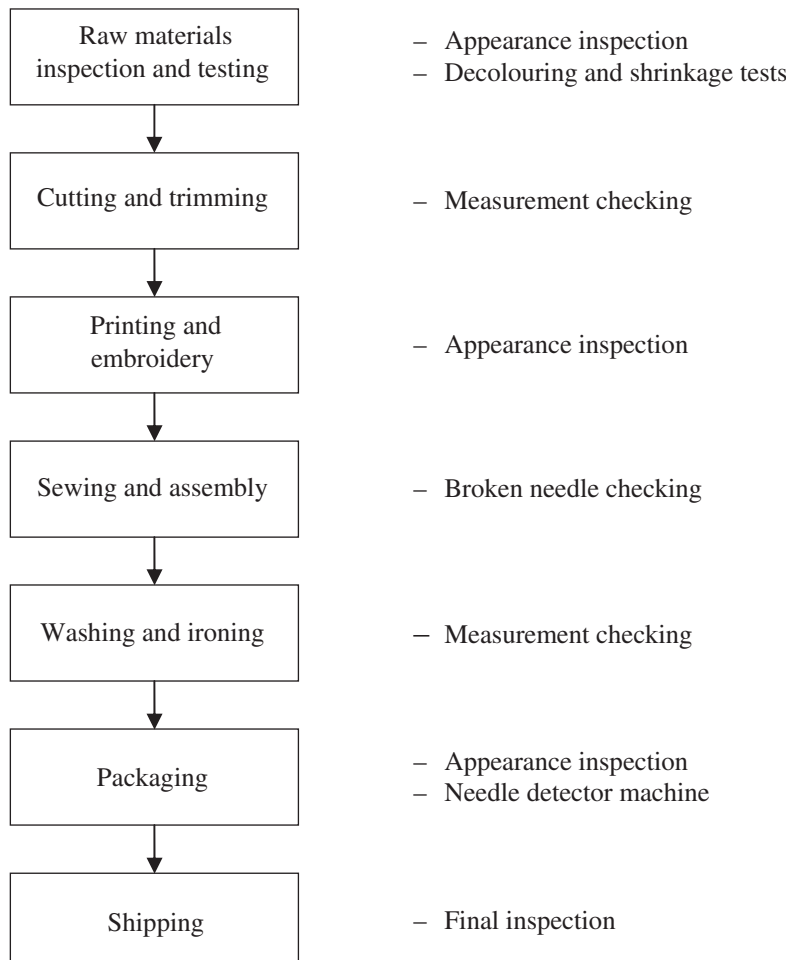
sub-contract manufacturers designated by them. For the three years ended 31 March 2010, the costs of outsourced products and processing fees paid to our sub-contract manufacturers were approximately HK\$903.9 million, HK\$850.6 million and HK\$515.8 million, respectively, representing approximately 73.3%, 75.8% and 70.1%, respectively, of our total cost of sales during the same three-year period.

Our manufacturing process for Cut-and-Sew knitwear is divided into seven major stages: (i) raw materials inspection and testing; (ii) cutting and trimming; (iii) printing and embroidery; (iv) sewing and assembly; (v) washing and ironing; (vi) packaging; and (vii) shipping. We may engage third party sub-contract manufacturers for printing and embroidery to leverage their expertise, knowledge and equipment in handling a particular design or specification required by our customers.

Our manufacturing process for Knit-to-Shape sweater is divided into seven major stages: (i) raw materials inspection and testing; (ii) panel knitting; (iii) linking and smoothing; (iv) washing and ironing; (v) sewing of labels; (vi) packaging; and (vii) shipping.

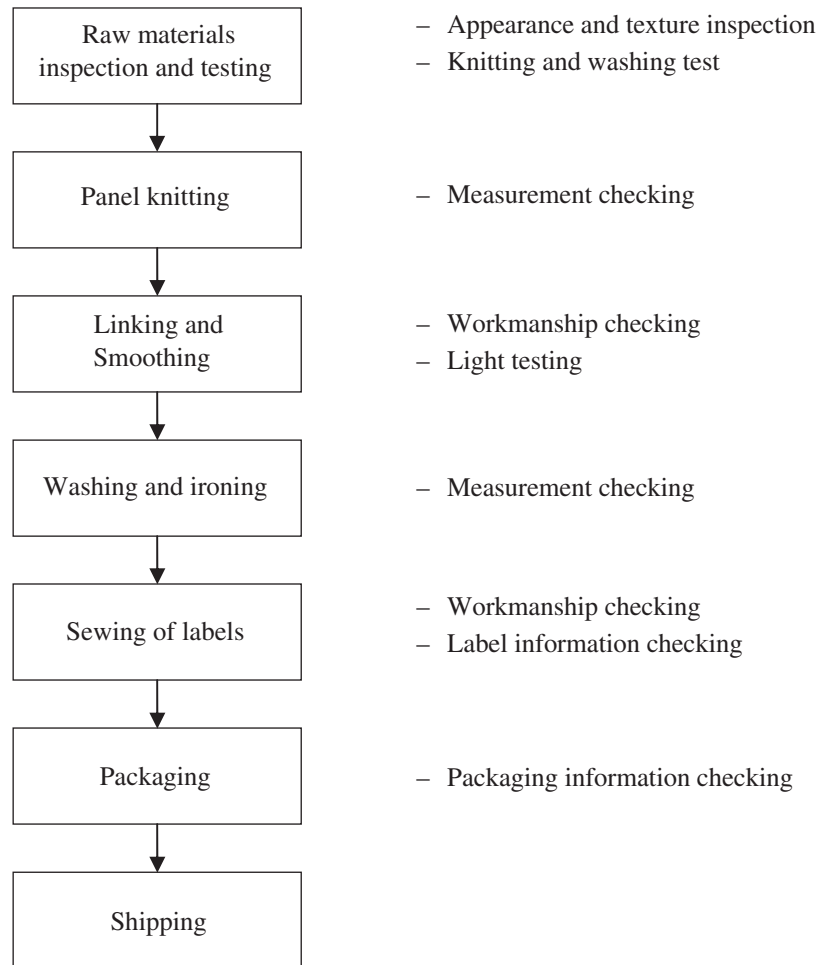
Cut-and-Sew knitwear

The diagram below illustrates the major stages of our manufacturing process for Cut-and-Sew knitwear:



Knit-to-Shape sweater

The diagram below illustrates the major stages of our manufacturing process for Knit-to-Shape sweater:

**MANUFACTURING FACILITIES**

Our manufacturing capabilities are supported by our PRC Factory and our Indonesian Factory. For the financial year ended 31 March 2010, approximately 29.9% of our total costs of sales attributable to the manufacture of garment products was incurred by our own production capabilities, among which approximately 15.6% and 14.3% were incurred by the production in our PRC Factory and our Indonesian Factory respectively.

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Our PRC Factory

Our PRC Factory was operated by Jiangmen Factory. It is located in Jiangmen, Guangdong Province, the PRC with a gross floor area of approximately 37,392 sq.m.. Our PRC Factory operates under the JIT System with an annual production capacity of approximately 6,800,000 pieces of Cut-and-Sew knitwear and approximately 247,100 pieces of Knit-to-Shape sweater. Our PRC Factory produces garment products with fashionable and complicated styles, patterns and designs.

As at the Latest Practicable Date, there were 30 production lines and approximately 1,309 staff in our PRC Factory. We have also installed the RFID system in our PRC Factory so that our staff can record completion of each production process for each product by swiping a recording card. Our production team monitors each stage of the manufacturing process in real time and is able to estimate the time required for each production process, enabling our PRC Factory to maintain a high production efficiency. At the PRC Factory, each box of finished garment products will be labelled with a bar code so that management of finished products or inventory can be done systematically.

The table below sets out the major machineries used at our PRC Factory:

Production process	Major machinery	Principal functions
Cutting (Cut-and-Sew)	Gerber automatic cutting system Gerber automatic spreading system	Cutting of fabrics automatically
Printing (Cut-and-Sew)	Automatic printing machine	Printing on fabric
Embroidery (Cut-and-Sew)	Eight computerised embroidery machines	Embroidering on fabric adopting various styles
Sewing (Cut-and-Sew)	Hanging system	Transferring semi-finished products along the work stations, real-time electronic recording and monitoring
Panel knitting (Knit-to-Shape)	24 flat knitting machines	Making complicated patterns using digital technology
Packaging (Cut-and-Sew)	Needle detector machine	Detecting broken needle or other metal pieces in the garment

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Our Indonesian Factory

Our Indonesian Factory was established in September 2005. It is located at our leased properties in Semarang in Indonesia with a floor area of approximately 13,485.08 sq.m.. Our Indonesian Factory operates under the traditional “Bundle” production system with an annual production capacity of approximately 4,680,000 pieces of garment products. In total, there are 31 production lines with approximately 22 workers per line. It mainly produces garment products with simple classic style, such as polo-shirts.

Our Indonesian Factory houses various kinds of automatic manufacturing equipments, including one set of automatic placket setting machine, one set of automatic hemming sleeves and bottoms machine and two sets of computerised cloth spreading machine. The use of automatic machineries enhances the quality and efficiency of our production and lowers the labour costs involved. As at the Latest Practicable Date, there were about 1,160 staff at our Indonesian Factory. The table below sets out the major machineries used at our Indonesian Factory:

Production process	Major machinery	Principal functions
Sewing	Automatic hemming sleeves and bottoms machine	Sewing for hemming sleeves and bottoms
Sewing	Automatic placket setting machine	Sewing plackets
Cutting	Computerised cloth spreading machine	Spreading fabric

The following table sets out the annual production capacity and related information for our apparel manufacturing facilities:

	For the year ended 31 March		
	2008	2009	2010
PRC Factory			
Annual production capacity ('000 pieces) (<i>Note 1</i>)	6,800	6,800	7,047 (<i>Note 2</i>)
Actual annual production ('000 pieces) (<i>Note 1</i>)	6,015	6,430	6,223
Average utilisation rate (Approximate %)	88.5	94.6	88.3
Indonesian Factory			
Annual production capacity ('000 pieces) (<i>Note 3</i>)	7,200	6,000 (<i>Note 4</i>)	4,680 (<i>Note 5</i>)
Actual annual production ('000 pieces) (<i>Note 3</i>)	6,339	5,564	4,026
Average utilisation rate (Approximate %)	88.0	92.7	86.0 (<i>Note 6</i>)

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Notes:

1. The production capacity for our PRC Factory is calculated on the basis of 26 days per month and the figures are estimated based on manufacturers' specifications of the machineries, historical figures and other data we believe to be reliable. The production capacity also varies depending on the style of the garment products required. With the production of more complicated garment products, the annual production capacity of our PRC Factory were approximately 6,800,000 pieces for the years ended 31 March 2008 and 2009 respectively, and approximately 7,047,100 pieces for the year ended 31 March 2010.
2. The increase of production capacity for the year ended 31 March 2010 was due to the additional annual production capacity of approximately 247,100 pieces of Knit-to-Shape sweater contributed by the new Knit-to-Shape division.
3. The production capacity for our Indonesian Factory is calculated on the basis of 20 days per month and the figures are estimated based on manufacturers' specifications of the machineries, historical figures and other data we believe to be reliable. The production capacity also varies depending on the style of the garment products required. The estimated annual production capacity for the years ended 31 March 2008 and 2009 were approximately 7,200,000 pieces and 6,000,000 pieces respectively, based on the production of basic garment products such as round neck T-shirts. Therefore, actual production capacity may differ from estimated capacity.
4. The reduction in production capacity for the year ended 31 March 2009 was due to reduction of number of production lines in our Indonesian Factory from 34 to 30 in 2009.
5. Given the shift in mix of products being manufactured at our Indonesian Factory from basic garment products such as round neck T-shirts towards more complicated garment products such as hooded pullovers and zippered pullovers, the restated annual production capacity of our Indonesian Factory taking into account the production of such more complicated garment products is estimated to be approximately 4,680,000 pieces.
6. Accordingly, the average utilisation rate of our Indonesian Factory for the year ended 31 March 2010 on such restated basis is approximately 86.0%.

We believe that our current manufacturing facilities are cost-competitive. At the same time, we also continue to improve our manufacturing facilities and production lines to increase productivity and efficiency of our manufacturing facilities.

In order to improve production efficiencies at our existing manufacturing facilities and production lines, we plan to allocate a portion of the proceeds from the Global Offering for the purchase of new production equipment and upgrade our existing production equipment. For production of garments with more complicated styles, we plan to purchase computerised knitting machines and pieced printing machines. To help meeting more stringent requirements from our customers and retaining quality workers, we plan to upgrade current premises, including production floor, warehouses and dormitory. We also plan to install LED lighting system to save energy, and to replace old machines to improve production efficiency. Our Directors believe that the above measures will help us manufacture more products with higher gross profit margin in the future.

During the Track Record Period, we did not experience any major failures of our machineries.

THIRD PARTY OUTSOURCING

We have a wide and established network of sub-contract manufacturers with whom we have maintained good working relationships that can provide a wide range of garment products. Our customers may have diverse and/or specific requirements for our products, including type and range of products, complicated patterns or designs, or distinct colors, features or functions, and they may also require different production capabilities and expertise. Some of our customers, based on their requirements on products and production process, may designate specific fabric and/or accessories suppliers, or require the whole production process to be carried out at our in-house production facilities. During the Track Record Period and up to the Latest Practicable Date, none of our customers demanded for the entire production process for its products to be outsourced to sub-contract manufacturers designated by them. We select our sub-contract manufacturers based on their capability and capacity and the quality of their work. We do not enter into long-term agreements with such sub-contract manufacturers but instead maintain flexibility by working with them based on individual orders with garment purchase costs, charged on fixed price basis. The sub-contract manufacturers will deliver the finished goods based on our instructions and generally by ship, to the ports designated by our customers without any further processing by us. The title of the goods will pass to our customers once the goods are on board. We, on average, enjoy a credit period of 30 to 60 days with our sub-contract manufacturers.

We have a quality assurance and control team with 10 employees who oversees the performance of our sub-contract manufacturers. To ensure the quality of our sub-contract manufacturers' products, members of our quality assurance and control team would perform on-site quality inspections and testing procedures at the factories of our sub-contract manufacturers at different stages in the production process.

The number of sub-contract manufacturers approved by our Group for the three years ended 31 March 2008, 2009 and 2010 was about 39, 44 and 33; other than Kimberley, all of our sub-contract manufacturers are Independent Third Parties. Our existing sub-contract manufacturers, amongst all, are located in the PRC, Cambodia, Madagascar and Vietnam. We have maintained good and stable relationship with our sub-contract manufacturers. For our top five sub-contract manufacturers for the three years ended 31 March 2010, we have an average of around six years of business relationship with them and some of them have worked with us for 10 years.

During the Track Record Period, approximately 26.7%, 24.2% and 29.9% of the garment products we sourced for our customers were produced in our in-house production facilities, while approximately 73.3%, 75.8% and 70.1% were sourced from our sub-contract manufacturers. The costs incurred by us in respect of outsourcing to sub-contract manufacturers for the three years ended 31 March 2008, 2009 and 2010 were approximately HK\$903.9 million, HK\$850.6 million and HK\$515.8 million, respectively, representing approximately 73.3%, 75.8% and 70.1% of our total costs of sales respectively.

Our Directors believe that as sub-contract manufacturers are widely available, in order to remain competitive, the prices offered by our existing or potential sub-contract manufacturers are likely to stay competitive. In addition, our Directors believe that our relationships with our sub-contract manufacturers are mutually beneficial. Based on the above, our Directors believe that we do not

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have a substantial risk of losing a majority of our sub-contract manufacturers and that in the event a particular sub-contract manufacturer should cease to provide sub-contracting services to us or the quality of products of a particular sub-contract manufacturer is poor or the charge of outsourcing is high, we should be able to replace such sub-contract manufacturer with another.

Our customers may bypass us and place orders for garment products directly with our sub-contract manufacturers and our profitability and financial results may be adversely affected. However, during the Track Record Period, to the best of the knowledge, information and belief of our Directors, none of our customers had bypassed us and directly placed order for garment products with our sub-contract manufacturers. In contrast with some of our sub-contract manufacturers with only manufacturing capabilities, we provide a comprehensive range of services in the supply chain of garment products to our customers. Our capabilities differentiate ourselves from some of our sub-contract manufacturers which only provide manufacturing functions to their clients. As our customers may require a comprehensive range of garment sourcing services which could be provided under our one-stop shop business model, we do not envisage there is a substantial risk of a majority of our customers switching to place orders directly with our sub-contract manufacturers.

RAW MATERIALS, MATERIALS PURCHASED AND SUPPLIERS

For our own production

The principal raw material used in the production of our products is fabric. We have adopted an internal policy in selecting suppliers of raw materials.

Generally, we source our raw materials from our list of qualified suppliers compiled internally. However, some of our customers would request us to source fabric from their nominated suppliers. In such event, we will obtain the designated materials from the suppliers nominated by our customers.

We have developed solid and steady relationships with many of our key suppliers as they have been supplying to us for years. Many of our top five suppliers for the Track Record Period have been supplying raw materials to us for three to six years. Given our stable relationship with many of our key suppliers, we believe that our suppliers generally priorities their supply to us and we did not experience any material delays in receiving supplies from our suppliers during the Track Record Period.

For our outsourcing arrangement

Another type of our suppliers are our sub-contract manufacturers, which supplied to us the garment products for our sourcing business.

From time to time, members of our merchandising team would conduct site visits at our potential sub-contract manufacturers' factories to ensure the basic structure and facilities of the factories meet our requirements. In order to determine whether a factory is qualified to be one of our suppliers, the major factors which would be taken into account include pricing, quality of products, past performance, production capacity and payment terms.

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For our outsourcing arrangement, our compliance team, which consisted of two employees, would conduct an on-site visit of our potential sub-contract manufacturer's production facilities and then complete a "Factory Evaluation" form for such sub-contract manufacturer to evaluate whether it is able to meet the usual compliance requirements of our customers as regards its factory. At the same time, we would ask such sub-contract manufacturer to provide quotations based on customers' requirements of the products to determine whether the price offered is within the acceptable price range of our customers. If all the requirements are met and relevant orders from our customers have been confirmed, we will proceed to conduct an official factory audit as requested by our customers. Our compliance team would work either with our customer's compliance team or a third-party audit firm appointed by our customer on such audit. Suppliers in compliance with all applicable quality inspection requirements and procedures would become our qualified sub-contract manufacturers. Our sub-contract manufacturers will be responsible for purchasing the relevant raw materials. So far as our Directors are aware, raw materials used by our sub-contract manufacturers are independently sourced from suppliers (which include the VC Group) except in the situation that the source of raw material is designated by the end customers. We compile our internal list of qualified sub-contract manufacturers based on results of the audits and information obtained.

Our suppliers include raw material suppliers as well as sub-contract manufacturers to whom we outsource the manufacturing process of our products. For each of the years ended 31 March 2008, 2009 and 2010, purchases from our top five suppliers amounted to approximately HK\$455.5 million, HK\$512.8 million and HK\$253.0 million, respectively, representing approximately 36.9%, 45.7% and 34.4% of our total costs of sales. During these periods, purchases from our largest supplier amounted to approximately HK\$156.7 million, HK\$213.3 million and HK\$69.8 million, respectively, representing approximately 12.7%, 19.0% and 9.5% of our total costs of sales for 2008, 2009 and 2010. We, on average, enjoy a credit period of 30 to 60 days from our suppliers.

We purchase certain raw materials from our connected parties, details of which are set out in the section headed "Continuing connected transactions" in this prospectus. The VC Group and Kimberley are our top five suppliers during the Track Record Period. Save for the VC Group and Kimberley, none of our Directors, our chief executive, or any person who (to our knowledge) owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five suppliers during the Track Record Period.

QUALITY CONTROL AND ASSURANCE

Our Group believes that its commitment to quality control is key to its success.

In-house production facilities

Our quality control procedures start at the raw materials procurement stage when our staff checks the quality of the raw materials delivered prior to confirming the receipt of raw materials. Fabrics, our principal raw material, are checked randomly through visual appearance inspection, focusing on whether they are broken. Inspection reports are prepared based on the rate of decolouring and shrinkage of the fabrics. Other raw materials undergo a conventional viewing of their quality which can be identified easily through visual appearance inspection to ensure that the raw materials comply with our quality standards.

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At each stage of our manufacturing process for the Cut-and-Sew knitwear, appearance inspection is carried out on the semi-finished products, and only qualified semi-finished products are allowed to go onto the next stage of production. During the cutting stage, measurement checking is done. During the sewing stage, supervisors at each of the production lines are responsible for checking whether there are any broken needles on each garment product. When our products are finished, the size and length of each product have to be checked. During the ironing stage, measurement checking is to be conducted again to ensure that our products meet our quality requirements. During the packaging stage, our quality assurance staff members perform appearance inspection on the supplementary packaging materials such as price tags and care labels to ensure that they are appropriately attached to the right products, and each product will be placed into a needle detector machine to have a final checking to ensure no broken needle is left on the garment products. Lastly, a final inspection on sizes and quantities will be conducted randomly. Prior to shipping, each box of our products will be placed into a shipment detector machine to confirm no needles are kept in the box. Some of our customers may conduct their own quality control inspection on our products and prepare relevant inspection reports.

As for our manufacturing process of the Knit-to-Shape sweater, the appearance and texture of raw materials are inspected. Test of knitting and washing of simple pattern on the raw materials will be carried out. During the panel knitting stage, measurement checking is done. During the linking and smoothing stage, workmanship checking and light testing are carried out. We will check measurement again during the washing and ironing stage. Workmanship checking and label information inspection are carried out during the sewing of labels stage. During the packaging stage, we will double check the accuracy of the label and information on the packaging material.

Various reports are prepared throughout our production processes, including knit fabric quality inspection report, accessory inspection report, inspection cutting report, embroidery and printing inspection report, measurement checking report and final inspection report.

For certain branded customers, they have their internal quality control standards for us to comply with and these standards may be higher than the common quality control standards implemented by us. These customers will arrange their own staff to travel to our factories to monitor the manufacturing processes of our products. Some of them have established their specific acceptable manufacturing system which shall be complied with by their supplier factories.

Based on the confirmation issued by Bureau of Quality and Technology Supervision of Xinhui, Jiangmen (江門市新會區質量技術監督局), our principal products complied with the relevant product quality rules and regulations, and no penalties had been imposed upon us for the violation of any product quality laws or regulations as at 9 September 2010.

Sub-contract manufacturers

In respect of sub-contract manufacturers, we have a quality assurance and control team with 10 employees who oversees the performance of our sub-contract manufacturers. Members of such quality assurance and control team perform on-site quality inspections and testing procedures at the factories of our sub-contract manufacturers at different stages in the manufacturing process to ensure quality of our products.

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So far, we have not received any significant complaints about the quality of our products from our customers or otherwise in connection with social, health or safety regulations that may impose material and adverse effect on our business or relationship with our customers. During the Track Record Period, there were no material claims against our sub-contract manufacturers by our Group.

DESIGN AND DEVELOPMENT

As at 31 August 2010, our design and development team consisted of 96 experienced members. We organise sampling sourcing trips around the world periodically to obtain first hand clothing samples so as to keep abreast with global fashion trend. We visit various department stores and boutiques in different countries and places to experience latest trends in style and fabric materials in those places. Within our design and development team, we have our own sample workshop currently consisting of approximately 81 staff to produce in-house designs of garment products as well as to provide design and product development services to our customers. Our workshop has the capacity to produce approximately 1,000 samples every week and the wide range of available samples can provide more products choices for our customers to suit their requirements. Our sample workshop enhances our lead time to produce samples for our customers. Further, with the support of the VC Group, we can source our raw materials efficiently for our sample making process. Our involvement in the product development stage of the manufacturing process of our customers' orders solidifies our relationship with our customers and ensure quality of our products which meet our customers' demands.

Sometimes, our customers will provide tech-packs with required specifications on certain products for us to develop samples. We will then follow such specifications and arrange for making of the sample and with our in-house sample workshop, we are able to develop samples for our customers around 24 hours from the receipt of specifications from them. During the development of samples, we, from time to time, give suggestions to our customers to improve their designs. We work closely with our customers to ensure product quality and our design and development team plays an important part in development processes to meet quality standards.

SALES AND MARKETING

Customers

Our customers are mostly brand owners/carriers, megastores, department stores, supermarket chains and importers both in China and overseas. We also source garment products for customers which are importers. We source a wide variety of garment products for our customers including Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products, which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears. During the Track Record Period, our revenue was mainly generated from the U.S., Canada, the U.K., Mexico, Japan and the PRC and more than half of our total revenue for each year during the Track Record Period was generated from our customers in the U.S.. The products sourced by us for our customers are subject to anti-dumping actions, however, during the Track Record Period, none of the products sourced by the Group had been subject to any anti-dumping investigations nor measures. So far as our Directors are aware, there were about 35 anti-dumping investigations on textiles and clothing products (of which category the products we source for our customers, being apparel products, belong) in 2008 and none of them related to apparel products. As far as our Directors understand, anti-dumping

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measures could be applied by a member country of the World Trade Organisation when imports of a product is said to be at an export price below its normal value (measured against the price of the product in the domestic market of the exporting country) and if such “dumped import” causes injury to a domestic industry in the importing country. Our Directors believe that the export price of the products sourced by us for our customers are at market price of such products in their country of manufacture, therefore, the risk of such products being categorised as “dumped import” should not be high. Besides, our Directors also believe that the garment manufacturing industry in the U.S. and the E.U. is not as flourishing as in the past, it is also less likely that the importing garment products could be viewed as causing injury to their domestic industry. Accordingly, our Directors are of the view that the chance of the products sourced by us for our customers are subject to anti-dumping investigations or measures is very low.

We have developed and maintained good business relationships with our customers; among our top 10 customers during the Track Record Period, we have, on average, over five years’ business relationship with them. We have over 12 years’ business relationship with our largest customer during the Track Record Period.

We have dedicated sales teams which frequently contact our customers in order to enhance our knowledge of and responsiveness to our customers’ needs and ensure timely customer services. As at 31 August 2010, our merchandising team which is responsible for sales services consisted of approximately 118 employees.

Sales to our top five customers during the Track Record Period amounted to approximately HK\$877.6 million, HK\$786.0 million and HK\$448.8 million which accounted for approximately 61.3%, 61.2%, and 50.2%, respectively, of our total revenue for the three years ended 31 March 2010. Sales to our largest customer during the Track Record Period amounted to approximately HK\$530.4 million, HK\$478.2 million and HK\$137.2 million, respectively, representing approximately 37.1%, 37.2% and 15.3% of our total revenue. None of our Directors, their respective associates or, so far as our Directors are aware, our existing Shareholders had any interest in any of the top five customers of our Group during the Track Record Period.

Our customers are invoiced at the time when products are delivered by us. Generally, we provide our customers with credit period of 30 to 60 days depending on the customer’s financial strength, business size, credit history and historical sales performance. All credit terms are subject to our senior management’s approval. Our management and responsible staff conduct regular reviews of customers with overdue payments. As at 31 March 2008, 2009 and 2010, impairment loss recognised on receivables of approximately HK\$0.8 million, HK\$0.6 million and HK\$0.8 million was recognised for the years ended 31 March 2008, 2009 and 2010.

Sales

Our sales team, consisted of approximately 29 employees as at 31 August 2010, is divided into teams based on the geographical location of our customers. We have offices in the U.S., the PRC, Hong Kong and Macau, and a representative in Canada to provide sales supporting and/or customer services to enhance the quality and efficiency of our sourcing management services to our customers. In addition, for customers in the U.S. and Canada, we provide importing services arrangement to them

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through our subsidiaries established in the U.S., Top Value Inc.. Under such arrangement, products required by our customers are delivered “door-to-door” from our facilities or the facilities of our sub-contract manufacturers to our customers’ designated location at the aggregate cost of production, transportation, appropriate customs duties and taxes without incurring extra time and costs for our customers. Such sales arrangement is welcomed by our U.S. customers.

Generally, we obtain sales orders from our customers through periodic visits to the offices of apparel brand owners when we explore cooperation opportunities with them from time to time. We organise presentations with potential customers to introduce to them our Company, our products and services and our competitive strengths. We also develop samples based on our potential customers’ required specifications for their consideration. Upon receiving positive feedback or confirmation from our potential customers, we will further follow up with them. We will provide fee quotation for such customers to consider after obtaining relevant estimates from our factories or our sub-contract manufacturers. When a purchase order is placed and confirmed, the head of our sales team will allocate our merchandising staff to monitor the production processes of that order. Such staff will act as a coordinator between our customers and our factories or our sub-contract manufacturers. The major follow-up work include various approval processes such as lap-dips approval and bulk fabric approval, sample fitting, pre-production sample approval, printing and embroidery approval, and processing of fabric and garment tests. In-line, pre-final and final inspection will also be carried out prior to delivery. Our shipping team will monitor the shipping arrangement and delivery of finished products.

We believe the ability to provide timely and quality services to our customers and reputation are key contributors to our success and we place much importance on the quality of services and support that we provide to our customers. Our sales team provides dedicated post-sales services to our customers and handles minor claims or complaints from existing customers. Our management will be responsible for handling more major claims or complaints from existing customers. Our sales staff will coordinate with our production and logistics team for any necessary reprocessing of orders. During the Track Record Period, there were no material claims or complaints against us from our customers.

Marketing and promotion

Our marketing and promotional activities are conducted by our merchandising team. Members of our merchandising team generally visit our existing customers periodically to maintain close relationship with them. With the help of our in-house design and development team, we can provide up-to-date information to our customers, such as recommendation on the use of fabrics. Through these regular visits and communications with our customers, we can better understand their needs and obtain feedback from them so as to improve our products and services, which in turn will enhance our ability to develop and expand our customer base.

From time to time, we organise presentations with potential customers to introduce to them our Company, our products and services and our competitive strengths. Direct promotion and discussion with potential customers enhance their awareness of our Group and help us further expand our business to them should the opportunity arises.

COMPETITION

Our direct customers are mostly overseas brand owners/carriers, megastores, department stores and supermarket chains and we source garment products for customers which are importers. We manufacture Cut-and-Sew knitwear and Knit-to Shape sweaters which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears. We are also developing our “夢仕臣” (Monstons) brand products in the PRC market. To the best knowledge of our Directors, none of our customers was engaged in the sale of branded underwear and home wear products in the PRC as at the Latest Practicable Date. Accordingly, there should not be any competition between the branded products that we are developing and the products of our existing customers.

In the garment industry, market players mainly compete in areas such as, among other things, product quality, price, and the ability to provide timely services and fulfill delivery commitments. We face competition from both garment factories and garment sourcing companies in the PRC and international players. Price competition in respect of our products and services to our customers is a major element in the competition we faced. In order to reduce cost, we engaged sub-contract manufacturers in the PRC, Cambodia, Madagascar and Vietnam. Our competitors may have more abundant resources to enhance their manufacturing capabilities and production processes or have established good relationships with their customers due to their long-standing history of business. However, with our one-stop shop business model as a garment sourcing management group with manufacturing capabilities and our relationship with VC which is our fabric supplier, we can provide to our customers a comprehensive range of garment products sourcing management services in a timely and costs efficient manner. With our merchandising experience and stringent quality control, we can offer to our customers high quality products and services, which include trendy and stylish garments for the renowned brands.

We compete on the basis of the quality and reliability of our services and products. Since our customers are international and PRC brands with strong images, we must provide high quality services as well as products to them. Quality services include reliability in providing timely services, fulfilling delivery commitments, and responsiveness and flexibility in meeting customer requirements. We seek to enhance our competitive position by offering a broad range of products, including Cut-and-Sew knitwear, Knit-to-Shape sweater and woven products, which include ladies', men's and kids' knitwear, sweaters, polo-shirts, T-shirts, sportswear, blouses, shorts, jackets and inner-wears, to our customers.

ENVIRONMENTAL ISSUES

PRC

There are no environmental protection laws or regulations in the PRC specifically applicable to garment manufacturers in the PRC. In general, we are required to abide by the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”) which took effect on 26 December 1989, pursuant to which we should establish a system for environmental protection and take effective measures to prevent pollution caused by production, construction work or

other activities. According to the Environmental Protection Law, where the construction of a project may cause any pollution to the environment, an environmental impact evaluation must be performed to determine the preventive and remedial measures to be adopted, and the relevant environmental protection administration approval shall be obtained. Enterprises discharging pollutants must report to and register such discharge with relevant environmental protection administration departments. Enterprises discharging pollutants in excess of prescribed national or local discharge standards shall be responsible for paying a discharge fee for exceeding the standard and eliminating and controlling pollution. Depending on the circumstances and the extent of the pollution, the relevant environmental protection administration departments may impose various types of penalties on persons or enterprises who are in violation of the Environmental Protection Law. Penalties include issuance of a warning notice; imposition of a fine; determination of a time limit for rectification; issuance of an order to reinstall and resume operation of environmental protection facilities which have been dismantled or left unused; issuance of an order to suspend production or to suspend and close the business; imposition of administrative sanctions or investigation and establishment of criminal liabilities against the personnel in charge. In addition, in cases where the pollution causes damage to others, civil indemnification to victims shall be required.

Furthermore, due to the composition of the products which we manufacture, there is minimal air pollution. During the Track Record Period, the amount we spent on waste water treatment was approximately RMB215,000 for laying of sewage pipes and facilities at our PRC Factory for the sewage treatment services provided by the VC Group. Our waste water was treated by the VC Group during the Track Record Period, and such arrangement will continue after Listing and will constitute continuing connected transactions for our Company. As the VC Group has been providing waste water treatment services to our Group at no cost since 19 November 2009, being the date of completion of the transfer of 40% interest in Jiangmen Factory to our Group, our Directors expect that we will not incur any significant cost in relation to the waste water treatment in the future. Further details of such transactions are disclosed in the section headed “Continuing connected transactions” in this prospectus. The Jiangmen Xinhui Luokeng Environmental Protection Office (江門市新會區羅坑鎮環境保護辦公室) had confirmed that we had complied with the Environmental Protection Law and other relevant rules and regulations till 9 September 2010 since the establishment of Jiangmen Factory. Our PRC Legal Advisers advised that the Jiangmen Xinhui Luokeng Environmental Protection Office (江門市新會區羅坑鎮環境保護辦公室) could only confirm that Jiangmen Factory had complied with the Environmental Protection Law and other relevant rules and regulations till 9 September 2010 since its establishment. FG Shanghai and FG Shenzhen (being the remaining group companies established in the PRC), since establishment, have never engaged in any construction projects and their actual business operation does not cause environmental pollution like manufacturing entities. No confirmation as to the compliance of the Environmental Protection Law could be obtained by each of FG Shanghai and FG Shenzhen. As advised by the PRC Legal Advisers, FG Shanghai and FG Shenzhen have confirmed that, since establishment, they have been in compliance with PRC environment laws and regulations and no administrative penalty arising from violation of the PRC relevant laws and regulations has been imposed on them. As at the Latest Practicable Date, no administrative sanctions, penalties or punishments had been imposed upon us for violation of any environmental laws or regulations. In accordance with the requirements of relevant laws and regulations on environment protection, we have adopted advanced technologies and equipment to prevent and reduce pollution. We have reported to and registered with the relevant environmental protection administration departments for pollutants discharge and have obtained the Permit for the Discharge of Pollutants.

BUSINESS

Indonesia

As advised by our Indonesian Legal Advisers, there are no specific laws or regulations in Indonesia which are related to environment obligation for garment manufacturers. In general, we are required to comply with Law No. 32 Year 2009 regarding Environmental Protection and Management (the “**Indonesian Environmental Law**”).

The Indonesian Environmental Law encourages any enterprise to achieve environmental license which shall be a requirement for the issuance of business license. Aside from required prevention action on environmental protection and management, any entity shall also be obliged to conduct environmental audit specifically to those that conducts an activity with high potential risk to pollute and/or damage the environment. During the Track Record Period, our Group had complied with the Indonesian Environmental Law and no administrative sanctions, penalties or punishments had been imposed upon us for violation of any Indonesian Environmental Law or regulations as at the Latest Practicable Date.

INVENTORY CONTROL

We are committed to reducing excess inventory of raw materials and finished goods, and meanwhile continuing to meet the supply and delivery requirements of our customers. In accordance with our existing business model, we do not have a general inventory provision policy. We normally adopt the practice of “pre-sold orders”, which means confirming purchase orders with our customers before we purchase related raw materials and begin production. We closely monitor our inventories, including inventory levels and inventory age. We have a policy to review regularly the obsolescence of inventories based on the expected future sales and the age of the inventories in order to further reduce the risk of accumulation of obsolete inventories. We also conduct physical stock counts from time to time to identify obsolete or damaged products. If the market conditions are less favourable than those forecasted by the management and our unused inventories remain for a period longer than we expected, we will consider whether specific provision will be warranted on an item-by-item basis and if the costs are higher than the corresponding estimated net realisable value of certain inventories, we will make a provision against such inventories. Impairment loss was recognised on inventories for the year ended 31 March 2008 as a batch of finished goods had been aged over one year and sold out as discount subsequently. During the year ended 31 March 2009 and 2010, we did not make any specific provisions for inventories, the reason being all of the ending inventories as at 31 March 2009 and 2010 were subsequently consumed or sold higher than costs.

LEGAL PROCEEDINGS

On 5 February 2010, Jiangmen Factory was adjudicated to have underpaid value-added tax of RMB455,565.57 and was ordered by Jiangmen Xinhui National Tax Bureau* (江門市新會區國家稅務局) to pay the outstanding tax of RMB455,565.57 and a penalty of RMB227,782.79. According to the confirmation issued by the Jiangmen Xinhui National Tax Bureau* (江門市新會區國家稅務局), the aforesaid outstanding tax and penalty were fully settled. Our PRC Legal Advisers advised that our Company will not be subject to any enforcement action arising from this event. The underpayment of value-added tax by Jiangmen Factory was due to mis-interpretation of the relevant tax regulations. To prevent such event from recurrence, we had taken the following measures: (i) to consult the relevant tax authorities in respect of tax treatment in case of doubts; and (ii) to educate our staff on the implications and applications on the relevant tax laws and regulations.

BUSINESS

From time to time, we may be involved in litigation or other legal proceedings in the ordinary course of our businesses. We are not aware of any material legal or administrative proceedings currently existing or pending against us. We are not involved in any intellectual property rights dispute or claims in relation to our product design/development and manufacturing.

PROPERTIES

Our owned properties

As at the Latest Practicable Date, we owned one property and five car park spaces in Hong Kong, and one property in Jordan. The properties in Hong Kong are used as our head-office in Hong Kong. Our property in Jordan is currently leased to an Independent Third Party and used by it for production purposes and as office.

We also owned the land use rights certificates to three parcels of land with an aggregate site area of approximately 65,677 sq.m., among which (i) approximately 50,092 sq.m. was for our own use, on which our PRC Factory, consists of seven buildings, and various ancillary structures have been erected for our business activities and operations in the PRC. The total gross floor area of such buildings is approximately 37,392 sq.m.; and (ii) approximately 15,585 sq.m. was leased to the VC Group, further details of which were disclosed in the section headed “Continuing connected transactions” in this prospectus. Our PRC Legal Advisers confirmed that, as at the Latest Practicable Date, we had obtained all necessary land use right certificates and building ownership right certificates for our properties in the PRC. In addition, Jiangmen Factory has confirmed that there are certain buildings erected on our owned land in the PRC constructed by the VC Group and the ownership of such buildings do not belong to our Group, our PRC Legal Advisers are of the view that such ownership of the abovementioned buildings would not affect our right to such land and Jiangmen Factory further confirmed that such ownership of the abovementioned buildings does not affect our operations. Details of our properties are set out in Appendix III to this prospectus.

Our leased properties

As at the Latest Practicable Date, to support our business activities and operations, we leased (i) four premises in the PRC; (ii) one premises in the U.S.; (iii) one premises in Indonesia; and (iv) one premises in Macau, with a total floor area of approximately 16,701 sq.m.. Our leased properties are used as offices, factories, workshop, warehouse or staff quarters and the premises in Shenzhen also house our sample workshop. All our leases are entered into with independent third parties and we are using the leased premises in accordance with the purposes stated in the respective tenancy agreements. Further details regarding the buildings or units that we occupy and the terms of the tenancies are set out in Appendix III to this prospectus.

INSURANCE

We maintain insurance for our offices, manufacturing facilities and inventories in the PRC and Indonesia. We also maintain insurance covering public liability relating to third party bodily injury and property damage arising from accidents. In respect of our local trucking services, we maintain insurance against traffic accidents. We also maintain marine insurance against losses of cargo shipments in connection with our shipment of products to our customers. We maintain insurance against product liability for all of our products. Certain customers in the U.S. and Canada have specifically requested us to include them as the insured entities under our Group’s product liability insurance policies so that they are entitled to claim for damages from the insurance companies directly.

BUSINESS

Social insurance is provided for our employees including insurance for retirement, unemployment, sickness, injury and maternity as required by the PRC social security regulations. Our Directors believe that the coverage is adequate for our Group's operation. As at the Latest Practicable Date, we had not been the subject of any insurance claims which were material to us. For Jiangmen Factory, the Luokeng Management Office of Jiangmen Xinhui Labour and Social Protection Bureau (江門市新會區勞動和社會保障局羅坑管理所) (a competent regulatory authority as advised by our PRC Legal Advisers) has confirmed that we had complied with the relevant regulations in respect of social insurance as at 9 September 2010. For FG Shanghai, the Putuo District Social Insurance Affairs Management Center (普陀區社會保險事業管理中心) (a competent regulatory authority as advised by our PRC Legal Advisers) has confirmed that we had joined the retirement insurance scheme and there was no outstanding payment under such scheme as of April 2010, being the month immediately prior to the issue of such confirmation. We have also taken out insurance for our employees in Indonesia, the U.S. and other places where we have our offices as required by the laws or regulations of the relevant jurisdictions.

As advised by our Indonesian Legal Advisers, all entities in Indonesia are required to have their employees registered under a social insurance scheme. PT. Victory Apparel Semarang maintains a social insurance scheme for its employees and has settled all its annual obligations for payment under the scheme. Other than the abovementioned, there is no obligation for entities to maintain other insurance schemes. Nevertheless, PT. Victory Apparel Semarang maintains all risk insurance for its leased buildings, machinery and stock.

EMPLOYEES

For the three years ended 31 March 2010, we had 3,936, 2,941 and 2,667 staff (including our employees and contract personnel), respectively of which 602, 109 and 1 were contract personnel engaged through independent third-party employment agencies, respectively. The following table shows a breakdown of our staff by functions as at 31 August 2010:

Function	Number of employees
Merchandising	118
– Sales, marketing and business development	29
– Sales supporting	89
Production and logistics	2,153
– Production	2,125
– Shipping	28
Quality assurance and control	106
Administration, finance and human resources	152
Others	160
– Design and development	96
– Other supporting	64
Total	2,689

BUSINESS

Our total staff costs for the three years ended 31 March 2008, 2009 and 2010 were approximately HK\$136 million, HK\$102 million and HK\$93 million respectively and which accounted for approximately 9.5%, 7.9% and 10.4% of our total revenue in the corresponding periods. Our management participates in the performance evaluation of our staff and conduct salary reviews. We adhere strictly to both statutory employment standards and those requested by our customers, such as wages and working hours, and maintain appropriate internal standards and workplace practices.

We maintain good working relationships with our staff. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good staff relations and retention. As at the Latest Practicable Date, we had not experienced any strikes or any disputes with our staff which had any material impact on our business.

PRC

We contribute to the social insurance scheme in accordance with PRC laws and regulations. Based on the confirmation issued by The Luokeng Management Office of Jiangmen Xinhui Labour and Social Protection Bureau (江門市新會區勞動和社會保障局羅坑管理所) (a competent regulatory authority as advised by our PRC Legal Advisers), we have complied with the labour law and regulations in the PRC.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) effective on 3 April 1999, the PRC companies shall go through housing fund registration with the local housing fund administration center and open housing fund accounts for its employees in a bank. A company may be subject to order to handling within a time limit for failure to comply with the rules in relation to the abovementioned registration and accounts opening. If a company fails to handle within the prescribed time limit, a penalty ranging from RMB10,000 to RMB50,000 would be imposed. Where a company fails to pay up housing funds within the time limit, the housing fund administration center will order it to make payment within a certain period of time, and if the company still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Based on the confirmation issued by the Putuo District Management Office of Shanghai Provident Fund Management Center (上海市公積金管理中心普陀區管理部) on 14 May 2010, FG Shanghai had established a housing fund account in July 2007 and had contributed to the fund until April 2010, being the month immediately prior to the issue of such confirmation.

However, Jiangmen Factory and FG Shenzhen did not register with the relevant authorities, did not establish a housing fund account with the banks and did not contribute to the housing fund. Due to different levels of acceptance of the housing fund system by employees and the fact that certain employees did not ordinarily reside in Jiangmen or Shenzhen, Jiangmen Factory and FG Shenzhen have not made housing fund contributions. As at 30 April 2010, Jiangmen Factory's outstanding amounts of housing fund contributions amounted to approximately RMB4 million, which, together with the maximum amount penalty of RMB50,000 that may be payable, is the maximum potential liability arising from the outstanding contributions for Jiangmen Factory. The amount required to be contributed by FG Shenzhen was approximately RMB12,800 for the period commencing from 1 February 2010 (being the first whole month since its employees were first hired) to 30 April 2010, which, together with the maximum amount of penalty of RMB50,000 that may be payable, is the maximum potential liability arising from the outstanding contributions for FG Shenzhen.

BUSINESS

Rocwide Limited, a member of the VC Group, acquired 60% equity interest in Jiangmen Factory in 2006; our Group acquired the remaining 40% equity interest in 2009 and acquired Rocwide Limited in 2010, and from 7 April 2010, Jiangmen Factory became a wholly-owned subsidiary of our Company. Since our Group was not a shareholder of Jiangmen Factory since its establishment until the respective transfer of equity interest as mentioned, the past shareholders of Jiangmen Factory had undertaken, should Jiangmen Factory be required to contribute to the housing fund, to contribute the portion attributable to them according to the period during which they were the shareholders and their respective shareholding ratios. In addition, our Controlling Shareholders have provided indemnities in favour of our Group against the potential liability arising from the outstanding housing fund contributions. When taking into account the undertakings of the past shareholders and a subsidiary of the VC Group, should the housing fund contributions be provided for based on the associated maximum potential liability, the Group's consolidated profit before tax for each of the three years ended 31 March 2010 would be reduced by approximately 1.15%, 0.86% and 1.12% respectively, and the Group's consolidated net assets as at 31 March 2010 would be reduced by approximately 0.7%.

As advised by the official at the Housing Fund Administration Center of Xinhui District, being a competent authority in this aspect, during a meeting on 23 June 2010, Jiangmen Factory was only required to pay its outstanding housing fund contribution for its employees if and when the Center received complaint(s) from the relevant employee(s). According to such official, the Center has not received any complaints from any employee of Jiangmen Factory as of the date of the above meeting. Based on the above, Jiangmen Factory is not, at present, required to make payment of its outstanding housing fund contribution. No written confirmation from the Center was obtained in this respect.

The amount required to be contributed by FG Shenzhen was approximately RMB12,800 for the period commencing from 1 February 2010 (being the first whole month since its employees were first hired) to 30 April 2010, which, together with the maximum amount of penalty of RMB50,000 that may be payable, is the maximum potential liability arising from the outstanding contributions for FG Shenzhen. Based on the results of its enquiry with the Shenzhen Social Insurance Fund Management Bureau* (深圳市社會保險基金管理局) on 8 September 2010, being a competent authority in this aspect, our PRC Legal Advisers advised that, although the Regulations on the Administration of Housing Fund became effective on 3 April 1999, at present, it is still not mandatory for companies in Shenzhen to contribute to the housing fund and accordingly, the possibility for FG Shenzhen being legally liable for failure to contribute to the housing fund is low. No written confirmation from this Bureau was obtained.

In the event that Jiangmen Factory or FG Shenzhen is mandatorily required to register with the relevant authorities, establish a housing fund account with banks, contribute to the housing fund and/or make payment of its outstanding housing fund contribution pursuant to any PRC laws or regulations in the future, our Group will ensure full compliance with the relevant PRC laws and regulations.

As disclosed in the section headed "Risk factors" in this prospectus, the Labour Law became effective on 1 January 2008 in the PRC. We have complied with the Labour Law since it became effective. During the Track Record Period, the direct labour costs for staff in our Jiangmen Factory only accounted for approximately 2.1%, 2.3% and 3.4% of our total costs of sales during the period. Given the insignificant proportion of costs attributable to direct labour costs of Jiangmen Factory, our Directors are of the view that our Group's financial position and operations are not materially affected by the Labour Law during the Track Record Period, and expect it will continue to be so in the future.

BUSINESS

Our Directors also note that although there were recent lifting of labour wages in some PRC factories, we did not increase labour wages in our PRC Factory.

Indonesia

All entities in Indonesia are obligated to submit a report to the authority regarding the company's identity, employment relationship, employment protection and work vacancy. They are obligated to submit the report by no later than 30 days following their establishment, reoperation or relocation. Thereafter, they are required to submit an annual report to the Indonesian authority. PT. Victory Apparel Semarang has fulfilled this obligation under registration No. 02440/08/DNT.Smg/05, as confirmed by the letter from the local authority dated 2 October 2009.

All entities which employ expatriates are required to obtain an expatriate working permit (Izin mempekerjakan Tenaga Kerja Asing- "IMTA") for each expatriate. PT. Victory Apparel Semarang has fulfilled this obligation by obtaining IMTA permits for all the 11 expatriates it has employed.

OCCUPATIONAL SAFETY

To ensure that our production facilities comply with applicable safety standards, we have established several factory safety manuals such as fire safety manual and production safety manual which set out the requisite requirements and procedures to be adhered to for the prevention of accident in our production facilities. All of our production facilities are required to be thoroughly tested before commencement of production. All operators of production facilities are required to be trained before they are allowed to operate the facilities. Training sessions are provided on the required safety and hygiene standards. During the Track Record Period, we had not experienced any material or prolonged stoppages of production due to production facilities failure and we had not experienced any major accidents during our production process. We are not aware that any toxic substance produced during our manufacturing process has caused personal injuries. As at the Latest Practicable Date, our production facilities complied with all applicable laws, regulations and standards in relation to safety.

PRODUCTION SAFETY MATTERS

During the Track Record Period, we had complied with all applicable production safety laws in all material respects. We have made, and will continue to make, efforts and take necessary measures to ensure the safety of our employees. Such measures include ensuring that the design, installation, use and maintenance of our equipments meet national and industrial standards, providing occupational safety education and training to employees to enhance their awareness of safety issues, providing suitable protective devices to our employees and requiring them to properly wear those devices. Based on the confirmation issued by the Jiangmen Xinhui Luokeng Safety Production Supervision Management Office (江門市新會區羅坑鎮安全生產監督管理辦公室) on 9 September 2010, our operations at our Jiangmen Factory are in compliance with the current applicable production safety law in all material respects since its establishment up to 9 September 2010.

As advised by our Indonesian Legal Advisers, obligation to maintain production safety in Indonesia is governed by the Law No. 1 Year 1970 regarding Work Safety (the "**Indonesian Work Safety Law**"), which was promulgated and became effective on 12 January 2010. As required under the Indonesian Work Safety Law, all directors of entities in Indonesia are required to provide guidelines and facility for safety work manner of its employee.

BUSINESS

We are fully aware of the urgency of production safety procedure and therefore we have formed the Committee on the Safety and Healthy Work (*Panitia Pembina Keselamatan dan Kesehatan Kerja*) in the Indonesian Factory which was legalised on 3 September 2007 by Head Office of the Semarang Manpower and Transmigration Service. To maintain good production safety manner, PT. Victory Apparel Semarang is also engaged with other party in conducting the Fire Undertaking and Prevention.

We also provide health service for employees of the Indonesian Factory which has been legalised since 9 December 2009 by the local authority.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we owned the rights to three registered trademarks in the PRC and nine registered domain names, which are being used in the business of our Group. Further details of our intellectual property rights are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix V to this prospectus.

INVESTMENTS IN OTHER COMPANIES

As at the Latest Practicable Date, save as disclosed herein, we had not invested in any other companies.